

ORIGINAL

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EXCEPTION

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 26 2010

5 Attorneys for Verde Santa Fe Wastewater Company

DOCKETED BY

[Handwritten signature]

BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE
9 APPLICATION OF VERDE SANTA
FE WASTEWATER COMPANY FOR
10 APPROVAL OF A REVISED TARIFF
11 REDUCING THE COMMODITY
RATE FOR EFFLUENT SALES

DOCKET NO.: SW-03437A-09-0493

EXCEPTIONS TO PROPOSED ORDER

12
13 Verde Santa Fe Wastewater Company ("VSFWC" or the "Company") hereby
14 submits these Exceptions to the Proposed Order ("ROO") in the above-captioned matter.
15 VSFWC's lone exception is limited to Staff's recommendation that the Company file a
16 rate case application no later than September 1, 2010. The Company instead proposes that
17 Staff conduct an initial rate review to determine if a modification of rates is necessary, and
18 whether the estimated cost and expense of a rate proceeding is warranted, and will benefit
19 VSFWC's approximately 940 customers. Furthermore, the Company requests that the
20 Commission allow it an opportunity to enter into a binding agreement with the owners of
21 the Verde Santa Fe Golf Course ("Golf Course") for the sale and use of effluent, which
22 can serve as a basis for the establishment of an effluent rate in its next rate proceeding.
23 Finally, the Company has already taken the appropriate steps to address its good standing
24 with the Commission's Corporations Division,¹ and shall bill the Golf Course according
25 to VSFWC's authorized effluent rate of \$2.00 per thousand gallons.

26 ¹ The Company received its Certificate of Reinstatement on February 23, 2010, attached hereto as Exhibit A.

1 VSFWC is currently in an untenable position. The Company cannot force the Golf
2 Course to purchase the effluent produced by VSFWC's wastewater customers, yet needs
3 the Golf Course in order to dispose of such effluent. An alternative means of disposal
4 would require the construction of facilities that would result in a rate increase to existing
5 customers. Therefore, if the Golf Course suddenly finds that the purchase of effluent from
6 VSFWC would be more expensive than pumping groundwater from onsite wells, it is very
7 likely that the Company would be left without a means to dispose of effluent. It is this
8 immediate threat to the health and safety of VSFWC's customers that has resulted in the
9 Company's acceptance of payment far below the \$2.00 per thousand gallons tariffed
10 effluent rate. VSFWC is hopeful that the Commission recognizes that the Company's
11 recent failure to bill the authorized rate was based on the Golf Course's representation that
12 it would begin paying more than \$0.23 per thousand gallons of effluent.

13 The company maintains that it has little confidence that should the Commission
14 approve the requested new tariff rate, that the golf course would actually pay it, which is
15 why we continue to subscribe to the probability that the rate reduction would be revenue
16 neutral in the near-term. Further, it does not believe that filing a rate case application by
17 September 1, 2010 will solve the problem facing VSFWC; the safe and proper disposal of
18 effluent in the event the Golf Course chooses to rely on groundwater pumping instead of
19 treated effluent. Assuming that the Golf Course continues to pay \$0.23 per thousand
20 gallons, a review of VSFWC's rates, charges and financial condition would demonstrate
21 that incurring the rate case expense would be the primary cause of the resulting rate
22 increase. Consequently, the Company proposes that Staff conduct a rate review to
23 determine if a rate application filed by VSFWC is necessary or in the public interest.

24 For the reasons stated herein, VSFWC respectfully requests that the Commission
25 modify the ROO to eliminate the requirement that the Company: (1) file a document
26 reinstating good standing, which is attached hereto as Exhibit A, and (2) file a rate case

1 application by September 1, 2010. In addition, the Company proposes that the
2 Commission allow VSFWC time to develop a strategy for the long-term use of effluent
3 within its service area. The Company would agree to provide quarterly status updates to
4 Staff, along with copies of effluent billings to each customer through December 2010 as
5 already recommended by Staff.

6 RESPECTFULLY SUBMITTED this 26th day of February, 2010.

7 FENNEMORE CRAIG

8
9 By 

10 Jay L. Shapiro
11 Patrick J. Black
12 3003 North Central Avenue, Suite 2600
13 Phoenix, Arizona 85012
14 Attorneys for Verde Santa Fe
15 Wastewater Company

16 ORIGINAL and 13 copies of the foregoing
17 filed this 26th day of February, 2010 with:

18 Docket Control
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

22 COPY of the foregoing hand-delivered
23 this 26th day of February, 2010 to:

24 Robin M. Mitchell, Esq.
25 Legal Division
26 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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Steven M. Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By *Maria Samanie*

2289511.2

Exhibit A

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF REINSTATEMENT

*****VERDE SANTA FE WASTEWATER COMPANY, INC.*****

File Number 08163778

Effective this date, the ARIZONA CORPORATION COMMISSION, pursuant to Arizona Revised Statutes, Section 10-1422.B, hereby CANCELS the administrative dissolution and REINSTATES the corporation status of the above named corporation.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 23rd Day of February, 2010, A. D.

A handwritten signature in black ink, appearing to be "E. C. ...", written over a horizontal line.

Executive Director

By: _____ 439987